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1. On approximately 18 November 1951, officials of the Military Intelligence Service (MIS) of the Armed Forces of the Philippines (AFP) arrested George CO, CHENG Bok, and Celestino CUA, three Chinese who formerly were MIS agents, on charges of engaging in pro-Communist activities. All three of these persons were members of the Hua Chi wartime Chinese guerrilla organization, and they were affiliated with the Chinese Communist Party.
2. At the time of their arrest, the three men were members of secret Chinese black, or protective, societies, and they were engaged in criminal activities which included participation with the Manila and Pasay Police Departments in extorting money from Chinese residents of the Manila area. Shortly after these arrests, officials of the Chinese Embassy advised Lieutenant Colonel Ismael D. Lapus, MIS Chief, that the three men were undesirable aliens, and that the Embassy believed that they should be deported to Taiwan.
3. Since these arrests, MIS officials have been under pressure from high ranking civil and military officials to release the three men. These ranking Government officials included former Secretary of Justice Jose Bengzon, Senators Mariano Cuenco and Macario Peralta, and House Speaker Eugenio Perez. These officials have appealed to Lapus for leniency for the prisoners, and they also have appealed to Major General Calixto Duque, Chief of Staff of the AFP, for his assistance in the case.
4. Lapus and his assistant, Major Federico Calma, Chief of the Alien Affairs Section of MIS, have maintained that the MIS possesses sufficient evidence to warrant holding the men for trial, and they believe that deportation of the three men is certain. However, Duque, who has been influenced by the persons who have sought the release of the three men, has attempted to halt the MIS investigation and to free the prisoners.
5. Since approximately 1946, CO, CHENG, and CUA have been members of a criminal organization which was led by TS'AI Pin-ch'ing (蔡彬慶, Fukienese CHUA Bin-kim), who is also known as Antonio Cruz, as CHUA Cruz, and as Antonio Chua Cruz. This group has specialized in the extortion of Manila Chinese.

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An associate of Cruz has estimated that the income of the group from this source by late 1951 was more than ₱1,500,000. Until mid-1951, all three of the men engaged in extortion activities while they were employed as MIS agents.

6. The three men secured their appointments as MIS agents through Cruz' influence with Duque. They were assisted in their criminal activities by De La Pena, a civilian MIS agent. De La Pena and Cruz gave some of the proceeds of these criminal activities to AFP officers, probably including Duque, and certainly including Lieutenant Colonel Bulogio Balao, who was then Chief of Intelligence on Duque's staff.
7. When Defense Secretary Ramon Magsaysay learned of this situation in mid-1951, he replaced Balao with Lieutenant Colonel Manuel F. Cabal, and MIS was subjected to a complete reorganization which included the discharge of CO, CHENG, CUA, and De La Pena. However, De La Pena was soon rehired by Duque as an intelligence officer and assigned to an intelligence unit on Duque's personal staff where he continued to direct Chinese agents who were principally engaged in extortion.
8. Prior to 3 December 1951, the representations made to MIS officials by prominent Government leaders for CO, CHENG, and CUA were limited principally to attempts to arrange legal assistance for them, requests that MIS officers avoid persecuting innocent Chinese, and similar acts. On 4 December 1951, Lapus reported to Magsaysay on the progress of the case and showed him the letter from the Chinese Embassy in which deportation was recommended. As a result, Magsaysay wrote a strong letter to President Quirino urging immediate deportation of the men.
9. Magsaysay ordered Lapus to deliver his letter to the President to Judge Esguerra, legal advisor to the President. Lapus followed these orders immediately. When he was leaving Esguerra's office, De La Pena was waiting to see Esguerra, as he later learned, to discuss the Magsaysay letter and to prevent Quirino from learning of it. Lapus also learned that De La Pena had been given this assignment by Duque who had learned of the letter from Colonel Montemayor, Public Relations Officer of the AFP, who was in Magsaysay's office when the letter was dictated. By 11 December 1951, MIS officials did not know if Quirino had seen Magsaysay's letter.
10. On 5 December 1951, Lapus left Manila for a two weeks' leave in Hong Kong. On 6 December, Colonel Carmelo Z. Barbero, G-1 of the AFP, relieved the executive officer of MIS, who was loyal to Lapus, and replaced him with a Major Cleofe, former assistant in G-1. Cleofe, who is personally loyal to Barbero, is believed to be a competent officer. However, Barbero, who is a close friend of De La Pena, has received expensive gifts from him. Barbero has used his position to place officers who are loyal to him in key positions within AFP Headquarters. He is loyal to Deque, but he is not well disposed toward Magsaysay.
11. On 5 December 1951, Calma received an order from the G-1 Section of AFP Headquarters relieving one Lieutenant Lansang, a key MIS witness in the case against CO, CHENG, and CUA. The order relieved Lansang of his duties in the MIS Alien Affairs Section and assigned him to a Battalion Combat Team (BCT) in northern Luzon. Lansang, who is considered one of the most capable officers in MIS, has been conducting the investigation of the activities of the three Chinese gangsters. His transfer will seriously affect the investigation, and it may prevent an effective presentation of the case to deportation officials.
12. When Calma protested the orders relieving Lansang to Captain Pargas, G-2 of the AFP, he was told that the orders had been issued on the instructions of Duque, and that they could not be changed.
13. On 7 December 1951, Duque ordered Major Carlos, Chief of the MIS Legal Section, to deliver all files on the case against CO, CHENG, and CUA to his office. Carlos reported this to Secretary Magsaysay, who instructed him to

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disobey the order and to advise him if any witnesses in the case were subjected to pressure.

14. Antonio Cruz gave Duque two reports on 7 December 1951; one of these reported that the Manila Chinese Chamber of Commerce, the Fu Li Hui, and the Philippine Branch of the Kuomintang were controlled by a small group of wealthy Chinese who were using these organizations against the Philippine Government. The report also claimed that this small group of Chinese had control of an unspecified number of Philippine officials and virtually all of the Chinese agents employed by Philippine intelligence agencies. The second of these reports claimed that Cruz, CO, CHENG, and CUA were the only Chinese agents in the Philippines who were completely loyal to the Government. The wives of Cruz and CUA later paid Duque's mistress a substantial sum of money in an effort to arrange the release of the three prisoners.
15. On 10 December, Duque ordered MIS officials to bring the three prisoners to his office for an interview, and he saw them subsequently with De La Pena in the absence of MIS officers. MIS officials learned that Duque had told the prisoners that they would soon be released. Magsaysay has been informed of Duque's action, and MIS officials have urged him to persuade Quirino to deport the prisoners by executive order.
16. The three prisoners are low level gangsters who have engaged in extortion and paid assassinations under the direction of Cruz. Although many of the influential civil and military officials who have been involved in this case are aware that the three men are common criminals, they have made extensive efforts to arrange their release. These efforts must be explained in relation to the over-all structure of organized crime in the Philippines and its relationship to officials of the Philippine Government.²

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it was pointed out that the protection of these prisoners, who are widely known as criminals, by a group of ranking Government officials is indicative of the close links which exist between certain Philippine officials and criminal rings in the Philippines. It was pointed out that the Chinese Communists are taking advantage of this situation to infiltrate various rackets, to gain political influence, and to extort money from Philippine Chinese while protected by Philippine officials.

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